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BEFORE THE
UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Inquiry Concerning City Carrier Costs Docket No. PI2017-1

PUBLIC REPRESENTATIVE COMMENTS ON INQUIRY CONCERNING CITY CARRIER COSTS
(September 15, 2017)

The Public Representative hereby provides comments pursuant to Order No. 3926 initiating this docket.[1] In that Order, the Commission established the above-referenced docket to review the Postal Services progress regarding the Commission's directive in Order No. 2792. [2] Interested persons, including the undersigned Public Representative, were invited to comment.

BACKROUND

In Order No. 2792, the Commission directed the Postal Service to investigate several issues, including the steps required to collect daily volume measurements for specified special studies and the feasibility of updating the cost model used to assign the costs of Sunday delivery hours and parcel routes. *Id*. at 65-66. The Commission also directed the Postal Service to determine whether a single equation city carrier letter route cost model for street time could produce improved variability estimates. *Id.*

In its response to Order No. 2792, the Postal Service explained its approach to satisfying the Commission's directive[3]. First, it would explore whether there was a practical way to gather the necessary data, and whether the quality of that data was acceptable. *Id.* Next, the Postal Service would determine whether it was possible to use

[1] Order No. 3926, May 31, 2017..
[2] Docket No. RM2015-7, Order Approving Analytical Principles Used in Periodic Reporting (Proposal Thirteen), October 29, 2015 (Order No. 2792).
[3] Docket No. RM2015-7, Response of the United States Postal Service to Commission Order No. 2792, February 16, 2016, at 14.

the collected data to construct a single-equation city carrier letter route cost model for street time. *Id.* In addition, the Postal Service stated that it would also investigate whether it would be feasible to use operational data to estimate variability equations for its parcel and collection route cost models.

Additionally, in Docket No. ACR2015, the Postal Service indicated that it was also looking into updating its city carrier Special Purpose Route (SPR) cost model for street time.

In the present docket, the Postal Service filed a report discussing the usability of available data sources. These include the route evaluation system (Form 3999), the Collection Point Management System (CPMS), and the Product Tracking and Reporting (PTR) system. The report also presents the Postal Service's findings with regard to the possibility of using a single-equation city carrier letter route cost model for street time using available data.

COMMENTS

In general, the Public Representative finds the Postal Service's report, as well as its responses to information requests responsive to the Commissions directive. Although the Postal Service's report seems to suggest that a reliable top-down model may not be feasible, the Public Representative encourages the Postal Service to continue to pursue such a model. Below, the Public Representative offers some suggestions that may further that goal.

Collection Mail. The Postal Service contends that "there is no operational source for the volumes of mail collected from customer receptacles, that there is no acceptable proxy variable for these volumes, and that to incorporate collection of such volume information as part of its regular data collection process would be prohibitively expensive." *Id.* at 2.

The Public Representative agrees with the Postal Service's assessment that leaving collection data out of the model biases the estimated coefficients. To obtain collection volume data, the Postal Service stated that it would either need to conduct a field study or do an MDD modification to collect data on the volumes of mail collected

from customer receptacles. *Id.* The Postal Service contends that both options are too expensive to pursue. However, the Public Representative suggests that there may be other ways to include collection mail in its model. *Id.*

Although collection volume is a cost driver of street time, it is not the only one. Collection time is at least as much driven by the number of mail receptacles with collection volume as the number of pieces collected on a route. Number of mail receptacles with collection mail represents the number of times a carrier has to reach in to a mail receptacle to retrieve collection mail. Presumably, the motion to retrieve mail from a mail receptacle is the same whether one or 10 pieces are retrieved. The effort and cost to collect data on the number of receptacles with collection volume may be less time consuming and therefore, less costly than counting pieces. The Postal Service should consider the possibility of using the number of mail receptacles or the proportion of mail receptacles with collection mail, in lieu of collection volume in its variability estimation. Programming Mobile Delivery Devices to capture the number of receptacles containing collection mail may be a viable solution for obtaining collection information to include in a top-down model.

Functional Form. The Postal Service should also consider using different functional forms. One such possibility is the transcendental logarithmic (translog) functional form. It is commonly used to model production functions, as it is a less restrictive form than the Cobb-Douglas production function. This functional form provides flexibility, but it does has some of the same shortcomings as the Postal Service's model. Using a translog production function also require estimating a large number of parameters. Therefore, multicollinearity would continue to be a problem, but it would not be exacerbated by using a translog model. The Public Representative believes it is worth exploring whether there are viable alternatives to the Postal Services formulation.

Accountables. The Public Representative has the impression that accountables may not be correctly captured in the data. A carrier may have to make more than one attempt to deliver an accountable. The Public Representative is unsure how attempted deliveries are treated in PTR and DOIS, and whether there is a mismatch between how

the two systems treat attempted deliveries. If indeed there is a mismatch the accuracy of a combined data set is questionable. DOIS may over count the number of accountables. The data system is used for route management. Therefore, it would make sense that DOIS would count an accountable every day the carrier attempts delivery, not just those on the day that it is successfully delivered.

The small number of accountables also poses a problem. In its report, the Postal Service discusses the difficulty of estimating accurate variabilities for low volume shapes. Postal Service Report at 15. The Postal Service should consider combining deviation parcels and accountables. With the exception of obtaining a signature, the process to deliver deviation parcels and accountables is the same. For attempted deliveries, it is nearly identical. Combining the two would significantly reduse the number of coefficients that need to be estimated.

Unit of observation. The Postal Service chose Zip Code-day for its unit of observation in its prototype top-down model. *Id.* at 17. The Postal Service claims that "inconsistent route number hygiene across data systems makes it extremely difficult to match DOIS hours and PTR volumes at the route level." *Id.* The Postal Service went on to describe the different ways a route might be identified. The Postal Service claims that "this variation makes it virtually impossible to match PTR volumes to DOIS hours at the route level." It is unclear to the Public Representative why this would pose a challenge. The variation described by the Postal Service is a common data problem. Generally, a simple computer program can alleviate the problem.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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